



POLICE AND FIRE RETIREMENT SYSTEM OF SPRINGFIELD, MO

840 Boonville
Springfield, Missouri 65801
Voice Mail (417) 831-8901
Box Number 44140

Minutes March 11, 2010

1. Call to Order

Homan called the meeting to order at 8:30 a.m. Minutes taken by White.

Attendance

Members	Representation	Present	Absent
Ken Homan	President	X	
Beau Barrett	Citizen	X	
David Carter	Fire	X	
Jim Edwards	Police	X	
Ron Hoffman	Retiree	X	
Brady Stark	Police	X	
Chris Thompson	Fire	X	
Mary Mannix-Decker (NV)	Finance	X	
Cindy Rushefsky (NV)	City Council Liaison	X	
Dan Wichmer (NV)	Law	X	
Nikki White (NV)	Secretary	X	

NV = Non-voting

Homan introduced the new citizen Pension Board members that will be sworn in at the end of March. John Bishop, Charlie Cowherd, Joshua Hartman and Marilyn Hill all provided a brief self-introduction. Hill is an R.N. and has been with St. John's for 30 years. Cowherd is an attorney with Husch, Blackwell Sanders and has been practicing in Springfield for 31 years. Josh Hartman works in investment services for Arvest Bank. John Bishop is the owner of a Farmer's Insurance office in Springfield and has an actuarial and investment background.

Homan added that Barrett's term is up in April and the goal is to fill his position with someone who has specific actuarial experience. There are not a lot of people in Springfield with this type of experience, but someone with that knowledge is worth a lot on this board.

Homan introduced himself as the interim president and said that the board will be choosing a president when all of the new members have voting privileges. White stated that the Clerk's office said that they could be sworn in anytime after March 22nd or they could wait until the April 5th Council meeting. Rushefsky and Wichmer said they didn't see any reason why they couldn't be sworn in on March 22nd at the Council meeting. Homan added that he would like some opinions on whether the president position should be voted on in April or if they wanted to wait a few months given there being so many new members. He did express his interest in continuing in this role should the board chose so.

Homan said that with the new board there are now more people with 8-5 jobs and he would like to entertain the idea of changing the meeting time to the evening. The meetings generally last three sometimes four hours and evenings would certainly help several members out. He would also like to have by-weekly meetings for awhile since so many things have been put on hold. He added that the board does go into closed session each meeting to discuss personnel issues. His goal is to keep the closed sessions as short as possible. He would like for as much information as possible to be presented in the open sessions because the public has a right to know what is going on especially given the approval of the sales tax.

Rushefsky stated that from the Council point of view there are a few Council members hesitant to put their trust in the board. She said it will be crucial to keep the communication lines open. The challenge will be to get everyone to listen to the information being shared. She added the system is clearly going to need another sales tax in five years which will require building up trust not only with Council, but the public as well. The reality is that no matter what the board does they are going to be criticized, but the board has to do what is in the best interest of the fund, bottom line.

2. Investment Consultant

Homan stated that Segal is the board's investment consultant. They were hired in 2006 and have a four-year contract that is set to expire in July 2010. He would like to start the RFP process for that position. He said the number he pointed out last night was what the fund had done in 2009 against the policy index. It was very close and that's unfortunate in his way of thinking. The managers without exception outperformed their benchmark for the year. The reason we didn't have good outperformance of the index is because of a decision made earlier in the year not to rebalance up to our investment targets. He thinks Segal needs to be accountable for that decision. This decision showed that they didn't have confidence in the capital markets and that is of concern to him. More concerning was that the prior years we underperformed the policy index. The managers are taking excess risks expecting excess returns that were not achieved the last three to four years. Homan added that there is a challenge to make sure the right system is in place. We need to protect the assets we have and that's why the board has to be tough on the income verification rules, disability rules and the AFC. We have to protect the assets in order to provide the benefits that are promised in the plan. Part of doing so will be managing the expenses as well. Segal's proposal for the asset/liability study is \$60,000 in addition to their \$55,000 yearly fee. There are also other studies being proposed such as an asset allocation study and an actuarial audit. He added that it would be nice to have all these studies, but we would be looking at expensive costs.

3. Legal Matters – Closed Session, pursuant to Section 610.021(1), RSMo.

Carter made a motion to move to closed session at 8:55 a.m.; 2nd by Edwards. Vote all: Yes.

Resumed open session at 10:25 a.m. Stark and Thompson left during the closed session and did not return.

4. Approval Meeting Minutes – February 11, 2010 (open session)

Homan asked for a motion to approve the open session minutes for February 11th as presented. Motion made by Hoffman; 2nd by Carter. Vote all: Yes.

5. Approval of Financial Statement Ending January 31, 2010

Homan asked Mannix-Decker to review the financial statement ending January 31, 2010. The following items of interest were reported:

- As of January 31, 2010 the fund had net assets of \$130,409,483.
- Brandywine outperformed the index and was up \$52,312.
- Galliard beat the index and increased by \$611,057.
- Pictet outperformed the index, but declined by \$824,533.
- State Street was equal with their index, but declined \$1.6 million when the lending and non-lending funds are combined. The transfers from the lending fund to the non-lending fund continue.
- Net investment income was a loss of \$1,742,740 for negative additions to the plan of (\$489,638).
- Total deductions were \$1,418,067 for a net decrease of \$1,907,705 for the month.

Homan made a motion to approve the financials ending January 31, 2010; 2nd by Carter. Vote all: Yes.

6. Investment Consultant – RFP

Mannix-Decker informed the board that if they wish to seek applications for a new investment consultant the process will need to be started soon in order to write the RFP and make an announcement. She said it is not a quick process and will need to be started quickly in order to be ready for the July expiration date of the current contract.

Rushefsky stated that she doesn't know how the board can agree to the asset/liability study if it is not yet committed to staying with Segal. Homan asked if the board thought there was any urgency to conduct the study. The consensus was that Reina didn't seem to have a sense of urgency, but it was hard to tell.

Homan said a few different types of investment strategies have been discussed. 1) Core satellite-type structure where the core is indexed both on the U.S and International side, on equities and fixed income. He's not sure that Segal is this type of manager as much as some others might be. 2) Passive investment strategy which involves broad indexing. He thinks this is the prudent and fiduciary road the board needs to be following. Segal is more geared toward active management.

Homan doesn't think Segal's performance has been exceptional and doesn't think they have done what they have been charged to do. Four years is a reasonable time to give them to perform. This doesn't mean that Segal won't be allowed to be a part of the RFP process, but he thinks it is worthwhile to go through it to see what else is available. Hoffman mentioned that the RFP will have to be very specific about what the board is looking for. Homan said that the first step is to form an investment subcommittee.

Homan asked for volunteers to serve on the investment subcommittee with him. Hartman, Bishop and Hoffman agreed. Mannix-Decker agreed to sit in for the purpose of assisting with the RFP process.

Carter made a motion for the investment subcommittee to start the RFP process for the board's investment consultant; 2nd by Homan. Vote all: Yes.

7. Review of Applications

Rex Potts	Surviving Spouse	Fire	Elizabeth Potts - spouse
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Homan asked for a motion to approve the application presented above. Motion by Hoffman; 2nd by Edwards. Vote all: Yes.

8. Approval of Return of Contributions

Marilyn Grier	Age & Service	Police	\$4,679.53
Randall Latch	Age & Service	Police	\$99,028.94
Harold Haeffling	Early Age & Service	Police	\$80,578.13

Mannix-Decker stated that the additional amount for Marilyn Grier was due to the database being down for maintenance when the original calculation was done. Her original ROC was approved in February. Homan asked for a motion to approve the return of contributions for Marilyn Grier, Randall Latch and Harold Haeffling. Motion by Hoffman; 2nd by Carter. Vote all: Yes.

9. Approval of Retirement Calculations

Age & Service

Name	Dept.	Years of Service	Monthly Pension Amount	Partial Pension Amount
Harold Haeffling	Police	16.1	\$2,737.05	\$391.00
Randall Latch	Police	20.05	\$3,860.29	\$3,308.82

Surviving Spouse

Name	Years of Service	Monthly Pension Amount	Partial Pension Amount	Survivor's Partial Pension Amount	Survivor's Pension Amount
Rex Potts	2.08	\$1,276.83	\$410.41	\$834.56	\$1,229.87

Homan asked for a motion to approve the age and service pension calculations for Harold Haeffling and Randall Latch, and the surviving spouse calculation for Rex Potts. Motion by Carter; 2nd by Edwards. Vote all: Yes.

8. Old Business

- A. Income Verification – Mannix-Decker distributed reported (on file) that explained the disability income verification process. The first request for information was sent to 91 plan members under

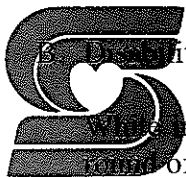
age of 65 receiving duty and non-duty disability benefit payments. The following contacts were made with plan members:

5/29/2009	Initial request for information
7/15/2009	Second request for information
8/31/2009	First request for information for disability recipients over age 65
8/31/2009	Letter to disability recipients that did not provide complete information
8/31/2009	Third request for information sent to plan members that had not responded to prior requests for information
12/3/2009	Letter from Dan Wichmer stating payments would be discontinued if information was not received
1/26/2010	Informing plan members of the availability of the Wage Transcript from the Internal Revenue Service
2/16/2010	Registered letters sent to four plan members that have not been in contact with the City of Springfield Finance Department

Mannix-Decker said that the letters were customized to each individual's situation. In January and February, the board reduced seven benefit payments resulting in an annual reduction of \$72,041. Three more plan members have since submitted complete information. If approved, the additional three reductions total \$73,520. As of March 10, three individuals have not submitted any information. Two of the three have not been in contact with the City. The third contacted the Finance Department and said he has not filed his 2008 taxes. He did not respond to any of the follow up letters or the request for Wage Transcript from the IRS. Four more plan members have not provided all of the information that was requested to verify their income. They have either not sent in a W2 form or a 1040 form.

Mannix-Decker added that there is a board policy on how the income verification process is to be implemented. The process of verifying 2009 income will begin in May. Below is a list of plan members and their proposed 2010 monthly payment.

Plan Member	Proposed 2010 Payment Per Month
Clifford Clark	\$2,184.24
Paul Blackwell	\$1,981.69
Robert Sperberg	\$0
Scott Bunn	\$0
Bryan Atkins	\$0
Leslie McMasters	\$0
Larry Shelton	\$0
James Cottengim	\$0
Ronnie Flippin	\$0
Neal Stanford	\$0



Disability Re-examinations

White informed the board that the nurse consultant has sent a letter to those included in the first round of re-exams. The letter also includes a medical release form for them to return. She said the nurse consultant has had some claimants not accept the certified letters. Also, some who have accepted the letter have not returned their release form. One letter came back with refused stamped on it. Another did not have refused stamped on it so she assumed that the post office was not able to catch them at home.

Mannix-Decker asked if a regular letter was sent in addition to the certified letter. White said no, only a certified letter was sent from HSI. Mannix-Decker said they usually send both in the event that someone is not home, but you don't have confirmation that they did in fact receive the regular letter. Homan added that one of the claimants that has not accepted a letter will turn age 50 at the end of the month. He suspects that's why he is avoiding it. If they do avoid it for another week or so, they will have not received it before their 50th birthday and after that point the board can't re-examine them. Wichmer has provided an opinion that the board can treat this as a refusal to do what they are supposed to do and cut off their benefit check. That's the hard line.

Homan asked if anyone had any ideas on how to contact the claimants other than certified mail. Carter asked if their benefit checks could be sent certified. Mannix-Decker said that most use direct deposit, but they do send notice that their payment has been deposited. Hoffman said that they need to understand that if they don't comply and they want their pension suspended, then the board can accommodate them. He's had a few of them call him and he's assured them that everyone is being treated fairly. He said unless they have an obvious condition, like a missing limb, they are being sent for a re-examination.

Mannix-Decker said it might be possible to write them checks, but she felt that would be a drastic step. Rushefsky questioned the return address on the envelope. White said she assumes it says HSI. Rushefsky added that they may not know what it is and maybe they should get a letter from the Pension Board. She suggested sending a letter from the board and to incorporate all of the information including that their payment will be suspended if they don't comply. She said if there still is no response then the board may have to take the same approach as used in the income verification process and suspend their payments. White will work with Mannix-Decker to include a letter with their deposit information at the end of the month.

Homan stated that the board is doing this process in two rounds. The first will help establish protocol and get some experience in the process. About 11 or so have been held out for round two. He said that some of those are likely to have lifetime disabilities and the board may decide not to subject them to this process. He added that at this point we intend to send everyone, but will want to see the experience of the first round before moving on to round two.

C. Actuary Audit

Homan stated that the board has talked about whether to commission an actuary audit. He only has one name of someone other than Milliman that is capable of performing this service. He has also been in contact with the Public School and Public Education Employer Retirement System of

Missouri which is \$23 billion fund. They do have an actuary audit that is done periodically. Theirs is done by Milliman.

Homan said that previous discussion pertained to having the audit done before it was determined if the board wanted to go through the RFP process for an actuary. He wasn't sure if that was even possible, but worst case scenario would be extending Milliman's contract for another year while this all works out. He's not sure of the cost of conducting the audit. Mannix-Decker said she would guess \$35,000-60,000. Several questioned how much this study was needed. Hoffman said there are several studies that could be conducted, but they cost a lot of money. However, people expect accountability. He thinks the audit is important and it hasn't ever been done before. However, the board is trying to make money and save money at the same time so these studies are a tough decision. Homan added that we all know how important the actuarial work is on a defined benefit model. It's just crucial.

Bishop said he's a big fan of studies because of the educational value. However, he's not so sure now is the time to be doing them. A lot of it is statistical data and right now all of the statistical data has been thrown out the window. Over the past four years the market has turned circles and nobody has an idea of where it's going. He thinks that with the plan now being closed and we don't yet know how many Tier II employees will move to LAGERS. We also don't know the impact of the sales tax revenue. He doesn't know that this is the adequate year to spend \$100,000 on studies. He's in favor of the studies, it's just the timing is an issue to him. Homan added that on the flip side what if the actuarial audit would show that we are way off on disability assumptions. He really wants to know that now, not two to three years down the road. He thinks it's crucial for the board to get its ducks in a row right now.

Mannix-Decker said we are 12 weeks from the end of the fiscal year. She usually starts working with Milliman in July on the actuarial report. So she doesn't know that the audit would come back with changes that could be implemented in the current year's actuarial study. She suggested holding off until the end of the fiscal year for an actuary audit. Homan added that he's confident that the system is in great hands with Milliman. Rushefsky questioned that if we feel we are in good hands then why conduct an audit? Hoffman said if the board felt there was a problem then an audit would be necessary, but he doesn't think that is the case. It's more of having one done because it's never been done before and it is probably something we should do at some point when the timing is better.

Homan made a motion to extend the Milliman contract until June 30, 2011 and table the idea of conducting an actuary audit until the June 30, 2010 actuarial study is complete; 2nd by Hoffman. Vote all: Yes.

9. New Business

A. Amortization - Milliman

Homan stated that now that the plan is closed there needs to be new consideration as to what is an appropriate amortization. Milliman has indicated that the plan will need to go to a level dollar basis without new members coming into the plan. It currently is on a level percentage of pay on a 30-year rolling amortization that will be reduced by one year starting in 2010 down to 25 years. Now it will be a level dollar basis. He asked if the board wanted to see the dollar impact of this

change. He doesn't think it will be a costly item. Homan added that he doesn't think it will be a big change, but the board needs to know what it is.

Edwards said if the employee groups are going to be held to what the actuary tells them to pay then the City should be required to pay what the actuary tells them to pay. Homan said he thinks the City will be paying more than required because of the tax being passed. Edwards said that the City also got a 22 percent reprieve on what they paid the year before. Homan said thanks to the taxpayer who is picking up that difference. Homan asked Mannix-Decker if that was accurate. She said yes. Homan said the City or taxpayers never agreed to pay the AFC. That is the responsibility of the employees. He said that is his opinion, but there are many others' opinions on this issue.

Carter made a motion that the board commission a report from Milliman regarding the level dollar basis amortization; 2nd by Hoffman. Vote all: Yes.

B. Executive Director Position

Homan stated that another consideration that the board needs to think hard about is the hiring of an executive director. He knows this is an added expense that may not want to be faced, but he feels it is very necessary. They will keep up with the work of the investment consultant, the actuary and coordinating efforts with the Finance Department. This position would take a lot of the responsibilities off of this board. The person would need to have a great deal of experience in investments. He said it would be a costly position in the range of \$125,000-150,000. He said the plan will be dealing with more dollars to invest because of the tax and with that comes more critical decisions. There is now less institutional knowledge on the board compared to the past. The police and fire terms can no longer be extended indefinitely and that affects the continuity of the board.

Mannix-Decker said that she has one employee, Glenda Hudson, who works on Pension Board projects. She's spending an increasingly amount of time doing work for the plan. She does all of the calculations, return of contributions and monthly financial statements. She said it is not an ideal setup. It was setup this way when the plan was much smaller, but things have obviously become more complex. Mannix-Decker would like to split some of those responsibilities. Once the sales tax monies start to come in, the processes and communication with the investment consultant will become much more complex.

Rushefsky added that if the board is going to maintain its independence and its professionalism then she thinks an executive director is necessary. However, it will be essential to have more checks and balances in place to. Homan added that a job description and salary range will need to be determined before a job announcement can be distributed.

Homan asked if there was an opposition to creating an executive director position. Hoffman said he doesn't disagree with the idea, but it's appearing that because there is new money coming in that our operating cost is going to go up. He would not be surprised if there are some that will raise questions about this and how the fund has operated without a director in the past. Homan said that in his opinion this position is needed in-part because of the re-composition of the board. Some expressed concerns about spending that kind of money. Bishop said on the flip side a lot of money was left on the table in terms of investments this past year. If someone is hired to keep a closer eye on that, then they very well could recover way more than what their salary costs the plan. Several agreed that more communication is needed between the board and the investment

consultant and an executive director can accomplish that. It was also mentioned that the executive director may eliminate the cost of having an investment consultant if the right person his hired.

Homan asked for volunteers to serve with him on a committee to start the process of hiring an executive director. Carter agreed to serve. Homan said he'd ask Cowherd to serve as well.

10. Adjournment

The meeting was adjourned at 11:45 a.m. on March 11, 2010.